

Message Text

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C O N F I D E N T I A L BELGRADE 1923

E. O. 11652: GDS

TAGS: PINT PFOR YO

SUBJECT: US AND YUGOSLAVIA - WHERE WE ARE NOW

REF: BELGRADE 1263, 1458, 1711, 1754, 1815

1. SUMMARY: RECENT INSTANCES OF FRICTION IN OUR BILATERAL RELATIONS HAVE REINFORCED THE IDEA, APPARENT TO MOST OBSERVERS, THAT US AND YUGOSLAV INTERESTS WILL INEVITABLY COME INTO CONFLICT AS YUGOSLAVIA PURSUES ITS NONALIGNED POLICY. SINCE TO YUGOSLAVS AT LEAST THIS POLICY IS SEEN AS SUREST GUARANTEE OF YUGOSLAV INDEPENDENCE, US INTERESTS WILL BE SERVED BY BEARING WITH YUGOSLAV ACTIONS TO THE DEGREE POSSIBLE, WHILE AT THE SAME TIME MAKING CLEAR TO THEM THE POTENTIAL CONSEQUENCES OF THEIR ACTIONS WHENEVER THEY IGNORE AND PERHAPS VIOLATE OUR INTERESTS. END SUMMARY

2. AS THE AIR CLEARS AFTER BILATERAL DUSTUPS OVER THE SECURITY COUNCIL MEETINGS ON PANAMA AND LEBANON AS WELL AS THE CAMP COUNSELOR AND VOA ISSUES, IT IS TIMELY TO FOCUS ON THE ESSENTIAL NATURE OF OUR BILATERAL RELATIONSHIP AND WHAT WE CAN EXPECT IN THE FUTURE. IT IS WORTH REITERATING THAT, WHATEVER THE HILLS AND VALLEYS OF OUR REALTIONS WITH THIS FREQUENTLY MERCURIAL SOCIETY, BASIC US INTERESTS AND OBJECTIVES REMAIN CONSTANT: THAT YUGOSLAVIA CONTINUE TO BE INDEPENDENT, UNIFIED AND STABLE, WITH SUBSTANTIAL ECONOMIC
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LINKS TO THE WEST.

3. WITH THIS OBJECTIVE IN VIEW, RECENT EVENTS CAN PERHAPS AND RECEIVED THE REPORT OF THE COUNCIL'S DELEGATION TO WASHINGTON. THE WORKING PARTY HAS ASKED ME TO CONVEY TO YOU THE FOLLOWING ON BEHALF OF THE COUNCIL.

I HAVE BEEN ASKED TO REITERATE THE COUNCIL'S VIEW, AS STATED IN MY LETTER OF 27 MARCH 1973 TO THE SECRETARY OF STATE, THAT FOR THE UNITED STATES TO RESUME COMMERCIAL SALES OF TIN IN THE PRESENT CIRCUMSTANCES COULD DISRUPT THE MARKET. THE COUNCIL'S DELEGATION EXPLAINED, DURING THE COURSE OF THE CONSULTATIONS, THE REASONS FOR THE COUNCIL'S OBJECTION TO RESUMPTION OF SALES AT PRESENT: THESE WERE, BRIEFLY; THE PRECARIOUS SITUATION OF THE MARKET, KEPT IN BALANCE BY EXPORT CONTROLS AFTER PROLONGED SUPPORT BY THE BUFFER STOCK; THE UNCERTAINTIES ARISING FROM THE INTERNATIONAL MONETARY DISARRAY, DE-STOCKING BY CONSUMERS OF TIN AND THE RELUCTANCE OF THE TRADE TO HOLD TIN DUE TO THE HIGH COST OF FINANCING; THE EXISTENCE OF A SURPLUS OF PRODUCTION OVER CONSUMPTION IN 1972 AND FOR THE 12 MONTHS TO JUNE 1973; THE ALREADY LARGE TIN HOLDING OF THE BUFFER STOCK (12,479 TONS IN JANUARY 1973); THE RISK OF DAMAGE TO THE ECONOMIES OF DEVELOPING COUNTRIES PRODUCING TIN BY DISRUPTION OF THEIR TIN MINING INDUSTRY AND THEIR EXPORT EARNINGS FROM TIN, AND THE POSSIBILITY OF SEVERE EXPORT CONTROLS. THE MARKET HAS REACTED UNFAVOURABLY TO THE PROPOSED EARLY SELLING OF THE 18,500 TONS NOW SURPLUS AND TO THE INTRODUCTION OF LEGISLATION LIMITED OFFICIAL USE

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TO REDUCE THE STOCKPILE OBJECTIVE TO 40,000 TONS.

IF, CONTRARY TO THE VIEW EXPRESSED BY THE COUNCIL, THE UNITED STATES PROCEEDS TO SELL TIN FROM THE STOCKPILE, THE COUNCIL WISHES TO STRESS ITS VIEW THAT, FOR THE SAME REASONS AS ARE STATED IN THE PRECEDING PARAGRAPH, SALES IN THE PRESENT CIRCUMSTANCES SHOULD BE MINIMAL.

THE COUNCIL HAS NOTED THE UNDERSTANDING REACHED THAT (A) THE BUFFER STOCK MANAGER WILL BE FREE TO EXCHANGE VIEWS ON THE TIN MARKET WITH GSA AT ANY TIME, AND (B) THE BUFFER STOCK MANAGER WILL BE FREE TO BID FOR THE GSA TIN EITHER DIRECTLY OR THROUGH AN AGENT. THE COUNCIL HAS ALSO NOTED THE ASSURANCE GIVEN BY THE UNITED STATES THAT DISPOSALS WOULD BE MADE IN SUCH A MANNER AS TO AVOID DISRUPTION OF THE MARKET AND THAT SALES OF TIN WILL BE LIMITED TO SUCH AMOUNTS AS THE MARKET CAN ABSORB.

ON THE QUESTION OF QUANTITIES TO BE OFFERED, THE UNITED STATES INITIALLY SAID THAT 3,000 TONS WOULD BE

OFFERED BEFORE 30 JUNE 1973 AND 15,000 TONS IN FISCAL
YEAR 1973
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